

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Prairie Bank and Trust Company, Bridgeview, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **April 29, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S RATING: This institution is rated Satisfactory.

The bank's loan-to-deposit ratio is considered strong, and has been steadily increasing since the previous examination. The bank has a high level of loans within its assessment area and a satisfactory performance in lending to borrowers of different income levels. An area of weakness, with respect to the geographic distribution of loans throughout the bank's assessment area, was detected during the examination. This can, in part, be attributed to the large size of the assessment area, the current size and financial capacity of the bank and the high level of competition from other banks. The bank's assessment area meets the definition and purpose of CRA and does not arbitrarily exclude any low-income or moderate-income areas that it would be reasonably expected to serve. The examination revealed no patterns or practices intended to discriminate or discourage members of a protected class. In addition, the bank has received no complaints concerning its CRA performance since the previous examination.

The following table indicates the performance level of **Prairie Bank and Trust Company, Bridgeview, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	PRAIRIE BANK AND TRUST COMPANY PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans			X
Response to Complaints	No complaints were received since the previous examination		

DESCRIPTION OF INSTITUTION

Prairie Bank and Trust Company, with total assets of \$57.6 million as of December 31, 1995, is located in Bridgeview, Illinois, a southwest suburb of Chicago located four miles from Midway airport. The bank opened for business on February 4, 1992, and has increased its asset size by \$19 million since the previous examination. The bank offers a variety of consumer and commercial products and services from its sole office located at 7661 South Harlem Avenue. The bank has found a niche in the trucking industry and has become an active lender in the commercial trucking business. Currently, the bank is one of few financial institutions in the area engaging in this type of lending, and has developed a reputation for making loans to small businesses and to independent truckers. Discussions with community representatives support the need for commercial loans.

In Bridgeview, competition is provided by Marquette National Bank, Bridgeview Bank and Trust Company, and Midland Federal Saving & Loan Association. Additional competition is provided by branch offices of Cole Taylor Bank and Advantage Bank, both located in Burbank, Illinois.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank's assessment area was expanded in March, 1996. It is located within the Chicago Metropolitan Statistical Area (MSA) and consists of 330 census tracts. The expansion of the assessment area is the result of the bank's effort to encompass whole census tracts and to take in all areas of its customer base, particularly commercial customers. There are 75 communities in portions of Cook, Will and Du Page Counties within the assessment area. The new area encompasses the communities of Bridgeview, Burbank, Bedford Park, Justice, Hickory Hills, Oak Lawn, Worth and Chicago Ridge. Some of the larger outlying communities to the west and south are Naperville, Bolingbrook, Joliet, Orland Park, and Tinley Park.

Based on 1990 U.S. census data, the assessment area has a population of approximately 1.6 million. Minorities make up 19.8% of the assessment area's population, with the breakdown, by race, being as follows: 1,271,752 or 80.20% - White; 141,574 or 8.92% - individuals of Hispanic descent; 132,719 or 8.37% - Blacks; 36,667 or 2.31% - Asian; 2,285 or 0.14% - American Indian; and 585 or 0.03% - other. There are 25 low-income census tracts within the assessment area; however, seven of these tracts do not contain any households. The adjusted median family income for the assessment area is \$56,790. According to the Federal Reserve Board's CLAS information, the median age of the housing stock is 28 years, 69.5% of the housing units are owner-occupied, and 1-4 family units make up 78.4% of the total housing units.

The area's employment, and economic growth and development is based primarily in the industrial and manufacturing sectors, with a significant amount of trucking activity. The bank is surrounded by three large industrial parks in Bedford Park and Bridgeview. Major employers are RPS Trucking Co. (Roadway Packaging Service), Health-O-Meter Inc., Prairie Material Sales Inc., and MEM Corp. Many people work in the area but do not reside within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.

Loan-to-Deposit Ratio

An analysis of the bank's Consolidated Reports of Condition over the five quarters since the previous examination (beginning December 31, 1994), revealed an average loan-to-deposit ratio of 75.39%. According to management, the bank's loan-to-deposit ratio has increased since the previous examination in conjunction with an increasing asset size. The bank is primarily a commercial lender and management has hired a new commercial loan officer for the purpose of increasing the commercial loan volume.

Based on an analysis of the Uniform Bank Performance Report (UBPR) dated December 31, 1995, the bank's net loan-to-deposit ratio is 15.07% higher than its peer group. The bank has 39.5% of its loan portfolio is in commercial and industrial loans, compared to 17.69% for the peers. This is a reflection of the niche the bank has carved for itself in the commercial trucking industry. Further, according to the December 31, 1995 Consolidated Report of Condition, the majority (63.54%) of the bank's loan portfolio is commercial-related, with the distribution of the loan portfolio as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000'S)	PERCENT OF TOTAL LOANS
REAL ESTATE LOANS		
Construction	3,313	8.36
Residential (1-4)	5,025	12.68
Commercial	9,050	22.83
Open-end Home Equity	1,356	3.42
Multi-family	369	0.93
CONSUMER		
Open-end	9	0.02
All Other	3,396	8.57
COMMERCIAL & INDUSTRIAL	16,140	40.71
STATE & POLITICAL OBLIGATIONS	23	0.05
OTHER	964	2.43

Since the previous examination, the bank's loan-to-deposit ratio has increased each quarter, with the bank's most recent Consolidated Report of Condition (December 31, 1995) reflecting a loan-to-deposit ratio of 81.67%. The bank's average loan-to-deposit ratio is considered adequate and demonstrates the bank's willingness to serve the assessment area's credit needs.

Lending in Assessment Area

A sample of loans made over a six-month period (November, 1995 - April, 1996) were reviewed to assess the bank's level of lending within the assessment area. A total of 200 commercial and installment loans (the bank's two predominant products) were reviewed. Of this total 150 (75%) were made within the assessment area. Of the 50 loans falling outside the assessment area, 43 were commercial loans; many of these loans were made to independent truckers who work in the area but reside elsewhere. Further, analysis of the loans sampled as part of the fair lending review revealed that 42 of 45 (93.33%) of consumer loans were made within the bank's assessment area. The level of lending within the assessment area is considered satisfactory and meets the expectations for a satisfactory performance.

Lending to Borrowers of Different Incomes and to Business of Different Sizes

A sample of commercial and installment loans was reviewed to assess the bank's performance in lending to borrowers of different incomes. Because the bank does not collect revenue information on commercial loans, the loan amount was used as a proxy. Review of the loan sample revealed the following distribution:

LOAN TYPE	LOW-INCOME \$000's/Number	MODERATE- INCOME \$000's/Number	MIDDLE- INCOME \$000's/Number	UPPER-INCOME \$000's/Number
Commercial	\$1,087,361/74	\$492,139/14	\$697,768/12	\$3,838,702/16
Installments	\$253,373/31	\$314,127/27	\$214,861/17	\$132,165/9
Total Originations	\$1,340,734/105	\$806,266/41	\$912,629/29	\$3,970,867/25

The preceding chart illustrates that 52.5% (105) of the loans sampled were to low-income borrowers, while 20.5% (41) were to moderate-income borrowers. The average loan amount for commercial and installments loans was \$52,273 and \$10,887, respectively. Given the demographics of the assessment area, the distribution of the bank's lending activity among individuals and businesses of different incomes and sizes reflects a satisfactory performance.

Geographic Distribution of Loans

Review of the loan sample (covering a period between November, 1995 - April, 1996) revealed that loans are concentrated in the communities closest to the bank's office and become more

disbursed in areas further away from the bank. Concentrations of loans are also in and around the bank's previous assessment area. New areas (the southern and western portions) encompassed by the bank's current assessment area showed little loan activity. Analysis of the loan sample, indicates that the bank made loans in only 67 of the census tracts within the assessment area, resulting in a 20% penetration. This penetration level, reflects a poor dispersion of lending activity throughout the assessment area.

Response to Substantiated Complaints

No complaints were received since the previous examination.